REPORT OF MANAGING DIRECTOR

This report for the period November 1, 1934 (the date of the last Code Committee meeting) to January 17, 1935 summarizes briefly comments on the many activities of the Code Committee and its Sub-committees.

SUMMARY OF ACTIVITIES OF EXECUTIVE, FINANCE, INTERPRETATIONS AND VARIOUS SUB-COMMITTEES SINCE NOVEMBER 1, 1934 MEETING OF THE NATIONAL COMMITTEE

I - EXECUTIVE COMMITTEE:

Meetings have been held in New York on December 5 and December 11. (Copy of minutes sent to members of Code Committee on December 18th)

Meeting on December 5:

(a) Application of Donald Davis & Co. of Boston ordered approved and applicant notified. They, however, to be advised that such approval would have no bearing on the final disposition of charges still pending against them for violation of the Code. Applicant so notified.

(b) Ordered that alleged violation of Section 7 (c), Article IX, by a group of Kansas City dealers be reported to Regional Committee with instructions to investigate and report the facts, with their recommendations. Regional Committee so notified.

(c) Managing Director instructed to call attention of Regional Committeemen to Section 7 (c), Article IX, re advertising as a "Registered Investment Banker". This has been done.

(d) Progress Report ordered printed and mailed to all registrants and assentors. Mailed December 8, 1934.

(e) Discussion of Compliance Report and installing a compliance department. Preliminary report to be presented by Messrs. Patton, Scheffey and Wilbur, Report made and action taken as will appear in notes of Executive Committee meeting of December 11 set forth below.

(f) Mr. Wood instructed to call a meeting of representative houses to study problems of issuers and distributors of Investment Trust Securities as applied to Code.

(Various routine matters not included above).

Meeting on December 11:

(a) Ordered that a brief be filed with N.R.A. in support of proposed amendment to Article V (prohibition of concessions to Investment bankers on purchases for their investment account and not for distribution).

(b) Report of Special Committee on Compliance. Mr. Fulton employed to be attached to Washington staff.

(c) Ordered that a Special Committee study and report on questions involved in proposed amendment re-defining "investment banking" recommended to N.R.A. that temporary exemption be given "Contract Issuers".

(Committee appointed composed of Messrs. Lawrence H. Marks, Joseph R. Swan, George Whitney - Chairman)

(d) New Section 16 to Article X providing for re-registration approved.

(e) Managing Director instructed to call meeting of Regional Chairmen. (Meeting called and held January 14-15)

(f) Ordered that regular Code Committee meetings be held at least every two months and next meeting set at January 22.

(g) Report of Compliance Group revised and ordered mailed to Regional men as well as a series of letters of instructions.

II - FINANCE COMMITTEE

Meeting held in New York November 22, 1934
(Copies of minutes will be distributed)

Meeting of November 22:

(a) Budget for November and December of Texas District approved.

(b) Approval of vouchers covering refunds, Regional Committees' expenses, Committee members' expenses to July 31, 1934, and Imprest Fund reimbursements.

(c) Treasurer authorized to pay vouchers drawn for Committee members expenses subsequent to July 31, and request statements from Committee members of expenses to November 1, 1934, and pay same.

(d) Treasurer authorized to pay voucher for stenographic services in connection with February meeting of Eastern Pennsylvania group.

(e) Finance Committee decided to await approval of proposed amendment for automatic cancellation of registrations before taking usual "show cause" action.

(f) Action taken on various dealers and banks in reference to their classification for purposes of assessment.

(g) Treasurer reported on cash position.

(h) Committee determined next assessment would not be necessary for several months and decided to determine at a later date a new basis of assessment.

III - INTERPRETATIONS COMMITTEE:

Meetings held in New York November 22, 1934 and December 20, 1934.

Meeting of November 22:

Explanations sent out by Managing Director or counsel reviewed. The subject of quotations and confirmations at net prices to all other than registered investment bankers was discussed at length; also the Code in its relation to certain problems of investment companies and many other subjects of amendment, interpretation and explanation.

Meeting of December 20:

(a) Managing Director instructed to send letter to Regional Chairmen asking for official expression of opinion on the matter of quoting or selling securities at a price or basis less a concession. (Letter mailed December 29)

(b) Review of explanations passed upon by Interpretations Committee theretofore submitted to Interpretations Committee or sent out by Managing Director or Counsel.

(c) Discussion of concessions on old issues and various suggested amendments to the Code.

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(In addition to the above formal meetings much consideration and thought and inter-change of opinions has been given by the individual members of the Committee to the many problems before that Committee.)

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A further meeting to be held before this Code Committee meeting, but after the preparation of this report will be covered in my next report to the Code Committee.

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IV - COMMITTEE TO CO-OPERATE WITH SECURITIES AND EXCHANGE COMMISSION

This Committee was appointed in pursuance of a Resolution of the Code Committee at its last meeting on November 1, 1934. The Committee is constituted as follows:

Messrs: Francis A. Bonner
Ralph T. Crane
Edward H. Hilliard
Frank Weeden
George Whitney
B. Howell Griswold, Jr. ex officio - Chairman

Upon invitation of the Securities and Exchange Commission this Special Committee met with the full Commission on November 27. The conference was throughout practically the entire day. The subject of regulations for Over-the-Counter trading and other matters were discussed at length. Subject discussed at the conference have had the individual attention of the members of the Committee before and since the meeting and views have been exchanged between them on the various subjects.

V - CODE ENFORCEMENT AND COMPLIANCE GROUP COMMITTEE

This Committee is constituted as follows:

Messrs. Francis A. Bonner - Chairman
Francis F. Patton
Frank L. Scheffey
Rollin A. Wilbur

A. G. Davis
Samuel O. Rice

This Committee made its report to the Managing Director on December 11. The Executive Committee approved the Report and ordered that copies be mailed to each member of the National Committee and also all members of the Regional Committees. This has been done. This Report setting forth the general principles and policies on these subjects and suggesting a number of concrete things to be done formed the basis for the main discussion of the Regional Chairmen at the meeting held on January 14-15.

VI - COMMITTEE TO PROVIDE STATISTICS ON INVESTMENT CONDITIONS.

This Committee, appointed since the last Code Committee meeting is composed of:

Messrs. Ralph T. Crane
Sidney J. Weinberg
Joseph R. Swan - Chairman

This Committee was formed to study and report to the Code Committee on the matter of providing statistical information regarding investment conditions from time to time, all as set forth in Article XI Section 1 of the Code.

VII - COMMITTEE TO CONSIDER CASE OF "CONTRACT ISSUERS"

This Committee was appointed since the last meeting of the Code Committee at the direction of the Executive Committee and is composed of:

Messrs. Lawrence H. Marks
Joseph R. Swan
George Whitney - Chairman

The Committee was formed to consider the special problems relating to this type of business, jurisdiction of the Code over them and whether or not if any of the types of this business are under the Code they should continue so to be.

VIII - BY-LAWS COMMITTEE

This Committee has had no matters before it since the last Code Committee meeting.

IX - COMMITTEES ACTING AS SUB-COMMITTEES TO CONDUCT HEARINGS ON FORMAL COMPLAINTS FROM REGIONAL COMMITTEES

(a) Sub-Committee was appointed to hear formal complaints as to violations of the B & O Selling Group Agreement and violations on taking into Selling Syndicate unregistered dealers. This Committee is composed of the following:

Messrs: Sydney P. Clark
B. Howell Griswold, Jr. - ex officio
Edward H. Hilliard
Henry B. Tompkins
Daniel W. Myers
Orrin G. Wood - Chairman

(b) Mr. Edward H. Hilliard was appointed a sub-committee to hear on behalf of the Code Committee and make a report to such Committee the case of W. K. Ewing & Co. vs. Scherck-Richter Company. This hearing was held on January 15. . Mr. Hilliard's report will be presented to the meeting.

(c) Mr. E. J. Costigan was appointed a sub-committee to hear on behalf of the Code Committee and make a report to such Committee the case of Taussig, Day & Co. vs. F. B. Carpenter & Co. This hearing was held on January 11. . Mr. Costigan's report will be presented to the meeting.

X - REGIONAL CODE COMMITTEE MEETINGS:

I do not have precise information as to the number of meetings of Regional Code Committees which have taken place since the last Code Committee meeting but from the information I do have I would estimate that there have been an aggregate of from thirty-five to fifty of such meetings since November 1. A substantial part of the business of these meetings was devoted to consideration of compliance work. The report of Mr. Bonner's Committee on Compliance was mailed immediately after its completion to every Regional Committeeman. In addition to that two letters have been mailed to the Regional Chairmen requesting certain concrete, definite things to be done which have received the consideration of each Regional Committee. Among other things the Regional Chairmen were

requested to mail to all of their registered dealers a request that each registered dealer notify the Regional Committee Chairmen of any Code violations. Further the Regional Committees were requested to make contacts with the various Federal and State law enforcing agencies, Securities Commissioners, Better Business Bureaus, etc. The results of Regional activities were evidenced at a meeting of the Regional Chairmen in Washington on January 14-15.

Regional Chairmen meeting in Washington January 14-15:

This meeting consumed two days with a night session on January 14.

The meeting was conducted on a fixed agenda which sought to cover all phases of past and future Regional Code activities. Especial attention was given to compliance, the objective being to reach a definite concrete program based on the principles, definite conclusions and suggestions contained in the report of the Group Compliance Committee. All of the Regional Chairmen were present except four who sent as alternates some member of his respective Committee so that the 17 Regional districts were all represented.

Discussion ranged over a wide field and cannot be summarized in a report of this character. The general result, in the opinion of each one of the Regional Chairmen and in my opinion, was highly satisfactory.

There were present at the meeting for the Code Committee Chairman B. Howell Griswold, Jr., Treasurer Sydney P. Clark, Interpretations Committee Chairman Orrin G. Wood and Ralph T. Crane, all of whom discussed various Code matters of which they had special knowledge. Valuable and most interesting addresses were given by John J. Burns, Chief Counsel for the Securities and Exchange Commission and M. L. J. Martin, Chief of the Compliance Division of the N. R. A. It is expected that copies of these two addresses will shortly be released to members of the National Code Committee and also to all Regional Chairmen.

Our counsel, Mr. Keyser, spoke on legal matters. Mr. Myron Ratcliffe, who has recently been appointed a non-voting member of our Code Committee to fill the vacancy caused by the resignation of Mr. Thom, also addressed the meeting and participated in some of the discussions.

GENERAL COMMENT:

It is with very genuine and deep regret that I am compelled to announce the resignation of Mr. Corcoran Thom as the N.R.A. non-voting member of our Committee. I am authorized to say in his behalf that this was due entirely to his inability to give the necessary time to the work and that his resignation was offered with great regret and deep appreciation of his friendly associations with the members of the Committee.

Pursuant to the order of the Finance Committee, Price Waterhouse & Company will immediately begin an audit of the accounts of the Treasurer and, when completed, make their report to the Code Committee.

During the period under review, viz., November 1, 1934 to January 17, 1935 there have been fourteen meetings of various sub-committees of the Code Committee and I estimate from thirty-five to fifty meetings of the various Regional Committees. In addition much work has been done by all such Committees in other than formal meetings. The period, to my mind, has been one of excellent progress in the work of the National and Regional Committees and the various sub-committees.

Respectfully submitted,

Rollin A. Wilbur
Managing Director